

CITY OF KING COVE, ALASKA

Basic Financial Statements and
Supplementary Information

Year Ended June 30, 2012

CITY OF KING COVE, ALASKA

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CITY OF KING COVE, ALASKA

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Independent Auditor's Report

Honorable Mayor and City Council
City of King Cove, Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of King Cove's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of King Cove, Alaska as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Permanent Fund Special Revenue Fund, and Water and Sewer Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Honorable Mayor and City Council
City of King Cove, Alaska

Our audit for the year ended June 30, 2012 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of King Cove's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of City of King Cove as of and for the year ended June 30, 2011 which are not presented with the accompanying financial statements. In our report dated December 28, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of King Cove's basic financial statements as a whole. The individual fund financial statements and schedules for the year ended June 30, 2011 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2011 financial statements. The individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2011.

Mikunda, Cottrell & Co.

Anchorage, Alaska
February 1, 2013

BASIC FINANCIAL STATEMENTS

CITY OF KING COVE, ALASKA

Statement of Net Assets

June 30, 2012

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and investments	\$ 867,361	-	867,361
Receivables:			
Accounts	22,279	336,089	358,368
Sales taxes	242,674	-	242,674
Grants	198,935	-	198,935
Allowance for doubtful accounts	-	(34,400)	(34,400)
Internal balances	1,311,170	(1,311,170)	-
Prepaid items	61,730	-	61,730
Inventories	-	409,193	409,193
Investment in Southwest Governments, LLC	118,136	-	118,136
Restricted cash - bond reserves	-	108,433	108,433
Bond issuance cost	-	3,637	3,637
Capital assets, not being depreciated	414,390	61,505	475,895
Other capital assets, net of accumulated depreciation	<u>22,710,676</u>	<u>24,823,735</u>	<u>47,534,411</u>
Total assets	\$ <u>25,947,351</u>	<u>24,397,022</u>	<u>50,344,373</u>
<u>Liabilities</u>			
Accounts payable	205,451	22,151	227,602
Accrued payroll and related liabilities	68,336	21,478	89,814
Accrued interest payable	12,201	21,351	33,552
Unearned revenue	-	2,655	2,655
Noncurrent liabilities:			
Due within one year:			
Bonds and loans	37,278	145,398	182,676
Note payable	50,000	-	50,000
Due in more than one year:			
Accrued leave	131,449	11,001	142,450
Landfill closure costs payable	861,494	-	861,494
Bonds and loans	1,355,934	1,985,753	3,341,687
Unamortized bond premium	<u>-</u>	<u>21,563</u>	<u>21,563</u>
Total liabilities	<u>2,722,143</u>	<u>2,231,350</u>	<u>4,953,493</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	21,731,854	22,732,526	44,464,380
Unrestricted (deficit)	<u>1,493,354</u>	<u>(566,854)</u>	<u>926,500</u>
Total net assets	<u>23,225,208</u>	<u>22,165,672</u>	<u>45,390,880</u>
Total liabilities and net assets	\$ <u>25,947,351</u>	<u>24,397,022</u>	<u>50,344,373</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Statement of Activities
Year Ended June 30, 2012

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Fees, Fines & Charges for Services	Operating Grants & Contri- butions	Capital Grants & Contri- butions	Govern- mental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 876,741	11,363	72,336	-	(793,042)	-	(793,042)
Public safety	634,860	2,195	21,188	40,300	(571,177)	-	(571,177)
Public works	967,041	-	15,831	77,882	(873,328)	-	(873,328)
Community services	968,728	128,239	7,691	304,697	(528,101)	-	(528,101)
Water and sewer	674,755	238,806	9,880	49,863	(376,206)	-	(376,206)
Solid waste	162,532	96,197	5,729	5,729	(54,877)	-	(54,877)
Total governmental activities	<u>4,284,657</u>	<u>476,800</u>	<u>132,655</u>	<u>478,471</u>	<u>(3,196,731)</u>	<u>-</u>	<u>(3,196,731)</u>
Business-type activities:							
Electric utility	1,369,962	1,334,889	13,000	-	-	(22,073)	(22,073)
Fuel sales	413,624	244,892	2,513	-	-	(166,219)	(166,219)
Harbor and port	1,046,158	422,454	50,793	-	-	(572,911)	(572,911)
Total business type activities	<u>2,829,744</u>	<u>2,002,235</u>	<u>66,306</u>	<u>-</u>	<u>-</u>	<u>(761,203)</u>	<u>(761,203)</u>
Total	\$ <u>7,114,401</u>	<u>2,479,035</u>	<u>198,961</u>	<u>478,471</u>	<u>(3,196,731)</u>	<u>(761,203)</u>	<u>(3,957,934)</u>
General revenues:							
Sales and business impact taxes				\$ 1,763,106	4,231	1,767,337	
Grants and entitlements not restricted to a specific purpose				837,700	-	837,700	
Investment income				57	-	57	
Transfers				(72,000)	72,000	-	
Total general revenues and transfers				<u>2,528,863</u>	<u>76,231</u>	<u>2,605,094</u>	
Change in net assets				(667,868)	(684,972)	(1,352,840)	
Net assets at beginning of year				<u>23,893,076</u>	<u>22,850,644</u>	<u>46,743,720</u>	
Net assets at end of year				\$ <u>23,225,208</u>	<u>22,165,672</u>	<u>45,390,880</u>	

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Governmental Funds

Balance Sheet

June 30, 2012

<u>Assets</u>	<u>Major Funds</u>				<u>Total Govern- mental Funds</u>
	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>Nonmajor Funds</u>	
Cash and investments	\$ -	583,767	-	283,594	867,361
Receivables:					
Accounts	10,850	-	6,568	4,861	22,279
Sales taxes	242,674	-	-	-	242,674
Grants	-	-	-	198,935	198,935
Due from other funds	-	-	-	167,567	167,567
Prepaid items	61,730	-	-	-	61,730
Advance to other funds	1,378,990	208,336	-	171,457	1,758,783
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,136</u>
Total assets	\$ <u>1,812,380</u>	<u>792,103</u>	<u>6,568</u>	<u>826,414</u>	<u>3,437,465</u>
<u>Liabilities and Fund Balances (Deficits)</u>					
Liabilities:					
Accounts payable	54,522	-	6,620	144,309	205,451
Accrued payroll and related liabilities	60,686	-	2,632	5,018	68,336
Notes payable	-	-	-	50,000	50,000
Due to other funds	-	-	-	167,567	167,567
Advance from other funds	<u>-</u>	<u>-</u>	<u>374,505</u>	<u>73,108</u>	<u>447,613</u>
Total liabilities	<u>115,208</u>	<u>-</u>	<u>383,757</u>	<u>440,002</u>	<u>938,967</u>
Fund balances (deficits):					
Nonspendable	1,558,856	208,336	-	171,457	1,938,649
Committed	-	583,767	-	-	583,767
Assigned	-	-	-	344,512	344,512
Unassigned (deficit)	<u>138,316</u>	<u>-</u>	<u>(377,189)</u>	<u>(129,557)</u>	<u>(368,430)</u>
Total fund balances (deficits)	<u>1,697,172</u>	<u>792,103</u>	<u>(377,189)</u>	<u>386,412</u>	<u>2,498,498</u>
Total liabilities and fund balances	\$ <u>1,812,380</u>	<u>792,103</u>	<u>6,568</u>	<u>826,414</u>	<u>3,437,465</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
 Reconciliation of Governmental Funds Balance Sheet
 to Statement of Net Assets
 June 30, 2012

Total fund balances for governmental funds \$ 2,498,498

Total net assets reported for governmental activities in the
 Statement of Net Assets is different because:

Capital assets used in governmental activities are not
 financial resources and therefore are not reported
 in the funds. These assets, net of accumulated
 depreciation consist of:

Land and land improvements	\$ 414,390	
Buildings	4,971,730	
Improvements other than buildings	21,697,923	
Equipment	1,466,029	
Accumulated depreciation	<u>(5,425,006)</u>	
Total capital assets, net of depreciation		23,125,066

Long-term liabilities, including loans payable and
 accrued leave, are not due and payable in the
 current period and therefore are not reported
 as fund liabilities. These liabilities consist of:

Loans payable	(1,393,212)	
Landfill closure costs payable	(861,494)	
Accrued interest payable	(12,201)	
Accrued leave	<u>(131,449)</u>	
Total long term liabilities		<u>(2,398,356)</u>

Total net assets of governmental activities \$ 23,225,208

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year Ended June 30, 2012

	Major Funds				Total
	General	Permanent Fund Special Revenue	Water and Sewer Special Revenue	Nonmajor Funds	Govern- mental Funds
Revenues:					
Sales and business impact taxes	\$ 1,763,106	-	-	-	1,763,106
Intergovernmental	965,415	-	4,940	357,608	1,327,963
Charges for services	90,429	-	238,806	136,202	465,437
Investment income	-	57	-	-	57
Other	11,363	-	-	120,863	132,226
Total revenues	<u>2,830,313</u>	<u>57</u>	<u>243,746</u>	<u>614,673</u>	<u>3,688,789</u>
Expenditures:					
Current:					
General government	632,139	-	-	628	632,767
Public safety	551,340	-	-	50,148	601,488
Public works	434,786	-	-	95,244	530,030
Community services	352,639	-	-	561,529	914,168
Water and sewer	-	-	271,840	131,686	403,526
Solid waste collection	-	-	-	117,690	117,690
Other	222,576	-	-	-	222,576
Debt service:					
Principal	-	-	34,788	-	34,788
Interest and other	-	-	58,412	-	58,412
Total expenditures	<u>2,193,480</u>	<u>-</u>	<u>365,040</u>	<u>956,925</u>	<u>3,515,445</u>
Excess of revenues over (under) expenditures	636,833	57	(121,294)	(342,252)	173,344
Other financing sources (uses):					
Transfers in	-	100,000	20,000	414,523	534,523
Transfers out	<u>(577,000)</u>	<u>-</u>	<u>-</u>	<u>(29,523)</u>	<u>(606,523)</u>
Net other financing sources (uses)	<u>(577,000)</u>	<u>100,000</u>	<u>20,000</u>	<u>385,000</u>	<u>(72,000)</u>
Net change in fund balances	59,833	100,057	(101,294)	42,748	101,344
Beginning fund balances (deficit)	<u>1,637,339</u>	<u>692,046</u>	<u>(275,895)</u>	<u>343,664</u>	<u>2,397,154</u>
Ending fund balances (deficit)	\$ <u>1,697,172</u>	<u>792,103</u>	<u>(377,189)</u>	<u>386,412</u>	<u>2,498,498</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
 Reconciliation of Change in Fund Balances of Governmental Funds
 to Statement of Activities
 Year Ended June 30, 2012

Net change in fund balances - total governmental funds	\$ 101,344
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives. This is the amount by which depreciation (\$816,610) exceeded capital outlay (\$72,120).	
	(744,490)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount of principal paid.	
	34,788
The governmental fund statements do not reflect the increase in long-term liabilities that are not to be paid with current financial resources. This is the amount of increase in the landfill closure liability.	
	(35,896)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the (increase) decrease in:	
Accrued interest payable	\$ 3,220
Accrued leave	<u>(26,834)</u>
	<u>(23,614)</u>
Change in net assets of governmental activities	\$ <u>(667,868)</u>

CITY OF KING COVE, ALASKA
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 1,750,000	1,850,000	1,763,106	(86,894)
Intergovernmental	982,000	897,700	965,415	67,715
Charges for services	63,000	83,000	90,429	7,429
Other	15,000	16,000	11,363	(4,637)
Total revenues	<u>2,810,000</u>	<u>2,846,700</u>	<u>2,830,313</u>	<u>(16,387)</u>
Expenditures:				
General government	700,360	662,555	632,139	30,416
Public safety	526,650	518,328	551,340	(33,012)
Public works	504,225	526,379	434,786	91,593
Community services	309,100	319,740	352,639	(32,899)
Other	155,600	208,900	222,576	(13,676)
Total expenditures	<u>2,195,935</u>	<u>2,235,902</u>	<u>2,193,480</u>	<u>42,422</u>
Excess of revenues over expenditures	614,065	610,798	636,833	26,035
Other financing uses - transfers out	<u>(608,000)</u>	<u>(577,000)</u>	<u>(577,000)</u>	<u>-</u>
Net change in fund balance	\$ <u>6,065</u>	<u>33,798</u>	59,833	<u>26,035</u>
Beginning fund balance			<u>1,637,339</u>	
Ending fund balance		\$ <u>1,697,172</u>		

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
Permanent Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>				<u>2011</u>
	<u>Budget</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		<u>Actual</u>
Revenues - investment income	\$ <u>100</u>	<u>100</u>	<u>57</u>	<u>(43)</u>	<u>21</u>
Excess of revenues over expenditures	100	100	57	(43)	21
Other financing sources - transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>100,100</u>	<u>100,100</u>	100,057	<u>(43)</u>	21
Beginning fund balance			<u>692,046</u>		<u>692,025</u>
Ending fund balance		\$ <u>792,103</u>			<u>692,046</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
Water and Sewer Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Deficit - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>				<u>2011</u>
	<u>Budget</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		<u>Actual</u>
Revenues:					
Water	\$ 258,000	229,000	162,180	(66,820)	238,472
Sewer	63,500	62,000	51,269	(10,731)	61,742
State PERS relief	-	-	4,940	4,940	-
State energy assistance grant	42,000	60,000	25,299	(34,701)	-
Finance charges	100	100	58	(42)	59
Total revenues	<u>363,600</u>	<u>351,100</u>	<u>243,746</u>	<u>(107,354)</u>	<u>300,273</u>
Expenditures:					
Water:					
Salaries	26,700	42,600	24,562	18,038	20,417
Employee benefits	12,160	12,160	13,360	(1,200)	8,589
Contract labor	-	-	-	-	3,440
Travel and per diem	2,500	2,000	1,189	811	1,752
Telephone	1,200	2,700	3,461	(761)	1,618
Supplies	15,000	15,000	24,151	(9,151)	19,914
Utilities - electric	135,000	125,000	121,404	3,596	81,645
Utilities - heat	5,000	8,200	8,987	(787)	6,025
Rent	-	2,600	2,596	4	87
Dues and fees	1,000	500	601	(101)	690
Insurance	3,900	3,703	3,703	-	3,919
Fuel - gas	5,000	5,000	6,512	(1,512)	4,324
Fuel - diesel	-	-	127	(127)	124
Test fees	4,500	2,500	1,943	557	2,033
Miscellaneous expense	-	860	860	-	-
Deferred compensation	750	750	405	345	648
Total water	<u>212,710</u>	<u>223,573</u>	<u>213,861</u>	<u>9,712</u>	<u>155,225</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
Water and Sewer Special Revenue Fund
Statement of Revenues, Expenditures and Changes in
Deficit - Budget and Actual, continued

	2012				2011
	Budget			Variance With Final Budget Positive (Negative)	
	Original	Final	Actual		Actual
Expenditures:					
Sewer:					
Salaries	\$ 26,870	26,870	28,189	(1,319)	28,127
Employee benefits	13,250	13,250	15,844	(2,594)	12,462
Supplies	11,000	11,000	6,932	4,068	7,877
Utilities - electric	8,700	5,200	5,684	(484)	7,113
Fuel - diesel	600	800	919	(119)	593
Equipment	8,000	8,000	-	8,000	-
Deferred compensation	540	540	411	129	715
Total sewer	68,960	65,660	57,979	7,681	56,887
Debt service:					
Principal	37,300	52,080	34,788	17,292	30,893
Interest	70,000	59,720	58,412	1,308	87,621
Total debt service	107,300	111,800	93,200	18,600	118,514
Total expenditures	388,970	401,033	365,040	35,993	330,626
Excess of revenues over (under) expenditures	(25,370)	(49,933)	(121,294)	(71,361)	(30,353)
Other financing sources - transfers from the General Fund	-	20,000	20,000	-	-
Net change in deficit	\$ (25,370)	(29,933)	(101,294)	(71,361)	(30,353)
Beginning deficit			(275,895)		(245,542)
Ending deficit			\$ (377,189)		(275,895)

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Enterprise Funds
Statement of Net Assets
June 30, 2012

<u>Assets</u>	<u>Major Funds</u>			<u>Total Enterprise Funds</u>
	<u>Electric</u>	<u>City Fuel</u>	<u>Harbor and Port</u>	
Current assets:				
Receivables:				
Accounts	\$ 217,108	-	118,981	336,089
Allowance for doubtful accounts	(14,000)	-	(20,400)	(34,400)
Inventories	-	409,193	-	409,193
Total current assets	203,108	409,193	98,581	710,882
Restricted cash - bond reserves	-	-	108,433	108,433
Bond issuance cost	-	-	3,637	3,637
Property, plant and equipment:				
Construction in progress	-	-	13,133	13,133
Land	48,372	-	-	48,372
Infrastructure	3,955,382	-	21,720,359	25,675,741
Improvements	723,045	871,489	-	1,594,534
Buildings	2,203,494	-	355,860	2,559,354
Equipment	4,907,717	-	907,482	5,815,199
Total property, plant and equipment	11,838,010	871,489	22,996,834	35,706,333
Less accumulated depreciation	(4,951,920)	(174,296)	(5,694,877)	(10,821,093)
Net property, plant and equipment	6,886,090	697,193	17,301,957	24,885,240
Total assets	\$ 7,089,198	1,106,386	17,512,608	25,708,192
<u>Liabilities and Net Assets</u>				
Liabilities:				
Current liabilities:				
Accounts payable	17,504	712	3,935	22,151
Accrued payroll and related liabilities	8,624	2,389	10,465	21,478
Accrued interest payable	5,612	-	15,739	21,351
Deferred revenue	2,655	-	-	2,655
Current portion of revenue bonds	95,398	-	50,000	145,398
Total current liabilities	129,793	3,101	80,139	213,033
Long-term debt, net of current portion:				
Advance from other funds	562,042	428,164	320,964	1,311,170
Accrued leave	6,539	-	4,462	11,001
Revenue bonds	835,753	-	1,150,000	1,985,753
Unamortized bond premium	-	-	21,563	21,563
Total liabilities	1,534,127	431,265	1,577,128	3,542,520
Net assets:				
Invested in capital assets, net of related debt	5,954,939	697,193	16,080,394	22,732,526
Unrestricted (deficit)	(399,868)	(22,072)	(144,914)	(566,854)
Total net assets	5,555,071	675,121	15,935,480	22,165,672
Total liabilities and net assets	\$ 7,089,198	1,106,386	17,512,608	25,708,192

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA
Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012

	<u>Major Funds</u>			<u>Total</u>
	<u>Electric</u>	<u>City Fuel</u>	<u>Harbor and Port</u>	<u>Enterprise Funds</u>
Operating revenues - charges for services	\$ <u>1,334,889</u>	<u>244,892</u>	<u>422,454</u>	<u>2,002,235</u>
Operating expenses:				
Salaries and benefits	230,152	38,972	346,158	615,282
Other purchased services and supplies	702,210	331,078	160,566	1,193,854
Depreciation	<u>330,687</u>	<u>43,574</u>	<u>483,372</u>	<u>857,633</u>
Total operating expenses	<u>1,263,049</u>	<u>413,624</u>	<u>990,096</u>	<u>2,666,769</u>
Income (loss) from operations	71,840	(168,732)	(567,642)	(664,534)
Nonoperating revenues (expenses):				
Interest expense	(55,711)	-	(56,062)	(111,773)
Senior power subsidy	(51,202)	-	-	(51,202)
Interest rate subsidy	-	-	29,050	29,050
Sales tax	-	-	4,231	4,231
State PERS relief	<u>13,000</u>	<u>2,513</u>	<u>21,743</u>	<u>37,256</u>
Net nonoperating revenues (expenses)	<u>(93,913)</u>	<u>2,513</u>	<u>(1,038)</u>	<u>(92,438)</u>
Loss before transfers	(22,073)	(166,219)	(568,680)	(756,972)
Transfers in	-	-	82,000	82,000
Transfers out	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Change in net assets	(22,073)	(166,219)	(496,680)	(684,972)
Beginning net assets	<u>5,577,144</u>	<u>841,340</u>	<u>16,432,160</u>	<u>22,850,644</u>
Ending net assets	\$ <u><u>5,555,071</u></u>	<u><u>675,121</u></u>	<u><u>15,935,480</u></u>	<u><u>22,165,672</u></u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Enterprise Funds
Statement of Cash Flows
Year Ended June 30, 2012

	Major Funds			Total
	Electric	City Fuel	Harbor and Port	Enterprise Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,210,141	281,892	421,349	1,913,382
Payments to suppliers	(705,005)	(393,182)	(166,354)	(1,264,541)
Payments to employees	(215,705)	(35,286)	(340,288)	(591,279)
Net cash flows from operating activities	<u>289,431</u>	<u>(146,576)</u>	<u>(85,293)</u>	<u>57,562</u>
Cash flows from noncapital financing activities:				
Senior power subsidy	(51,202)	-	-	(51,202)
Interest rate subsidy	-	-	29,050	29,050
Decrease in due to other funds	(576,279)	(281,588)	(551,661)	(1,409,528)
Increase in advance from other funds	562,042	428,164	320,964	1,311,170
Transfers out	-	-	(10,000)	(10,000)
Net cash flows from noncapital financing activities	<u>(65,439)</u>	<u>146,576</u>	<u>(211,647)</u>	<u>(130,510)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(6,000)	-	(13,133)	(19,133)
Principal payments on long-term debt	(132,969)	-	(45,000)	(177,969)
Interest payments on long-term debt	(85,023)	-	(56,754)	(141,777)
Capital contributions received	-	-	329,856	329,856
Transfers in	-	-	82,000	82,000
Net cash flows from capital and related financing activities	<u>(223,992)</u>	<u>-</u>	<u>296,969</u>	<u>72,977</u>
Net increase in cash and investments	-	-	29	29
Beginning cash and investments	-	-	108,404	108,404
Ending cash and investments	<u>\$ -</u>	<u>-</u>	<u>108,433</u>	<u>108,433</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:				
Income (loss) from operations	71,840	(168,732)	(567,642)	(664,534)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities:				
Depreciation	330,687	43,574	483,372	857,633
Noncash expense - PERS relief	13,000	2,513	21,743	37,256
Sales tax revenue	-	-	4,231	4,231
(Increase) decrease in assets:				
Accounts receivable	(125,590)	37,000	(5,336)	(93,926)
Inventories	-	195,980	-	195,980
Increase (decrease) in liabilities:				
Accounts payable	(2,795)	(258,084)	(5,788)	(266,667)
Accrued payroll and related liabilities	74	1,173	(1,185)	62
Deferred revenue	842	-	-	842
Accrued leave	1,373	-	(14,688)	(13,315)
Net cash flows from operating activities	<u>\$ 289,431</u>	<u>(146,576)</u>	<u>(85,293)</u>	<u>57,562</u>

See accompanying notes to basic financial statements.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Reporting Entity

The City of King Cove was incorporated in 1949 under the laws of the State of Alaska as a first-class city. The City operates under a council-administrator form of government and provides a full range of services to its citizens including public safety, streets, health and social services, electric, water and sewer, boat harbor, community projects, and general administration.

The financial statements included in this report are for the City of King Cove only. There are no component units for which the City of King Cove is financially accountable, nor do any special financial relationships exist between the City and any other entity.

The accounting policies of the City of King Cove conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the City. In general, the effect of interfund activity has been removed from these statements to minimize the double-counting of internal activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely primarily on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) fees, fines and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only to the extent they have matured.

Sales and business impact taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when received by the government.

The City reports the following major funds –

Major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

The *Permanent Fund Special Revenue Fund* accounts for monies set aside to help provide future benefits for public safety and welfare, specifically emergency needs or essential public service needs of the citizens of King Cove.

The *Water and Sewer Special Revenue Fund* accounts for the operation of the water and sewer system.

Major proprietary funds:

The *Electric Enterprise Fund* is used to account for the operations of the electric utility.

The *City Fuel Enterprise Fund* is used to account for the purchase, sale, and use of fuel.

The *Harbor and Port Enterprise Fund* is used to account for the operations of the harbor and port.

All of the funds listed as major meet accounting standards required quantitative criteria, except the Permanent Fund Special Revenue Fund which has been reported as major due to public interest.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are allocated administration fees and charges between the enterprise funds and the various other funds and departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State entitlement revenues.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Central Treasury

A central treasury is used to account for cash from all funds of the City to maximize interest income.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all cash accounts to be cash and cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Inventories

Inventories are valued at cost (first-in, first-out). The cost is recorded as an expenditure or expense at the time individual inventory items are consumed.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Grants and Other Intergovernmental Revenues

In applying the measurable and available concepts to grants and intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based upon expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick leave benefits. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured (e.g. the employee has terminated employment).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. As a phase 3 government for GASB Statement 34 purposes, the City records additions to infrastructure capital assets (e.g. roads and streets) prospectively from the GASB Statement 34 implementation date, which was June 30, 2004. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Capital Assets, continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful life of the asset are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20-50 years
Improvements other than buildings	20-50 years
Service lines	20 years
Machinery and equipment	3-20 years

Long-Term Debt

In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balances comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Summary of Significant Accounting Policies, continued

Fund Balances, continued

Assigned fund balance. This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Any encumbrances outstanding at year end are reported as appropriate constraints of fund balances if they meet the definitions and criteria as outlined above.

Deferred Grant Revenue

Amounts received from grantor agencies, which are restricted as to use and have not been expended for the intended use are shown as deferred revenue.

Pension Plan

Substantially all employees of the City participate in the Public Employees' Retirement System (PERS) administered by the State of Alaska.

Comparative Data

Comparative data for the prior year have been presented in some of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations.

(2) **Stewardship, Compliance and Accountability**

Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to May 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Stewardship, Compliance and Accountability, continued

Budgetary Accounting, continued

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund or department within a fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Appropriations for these funds lapse at year end to the extent they have not been expended or encumbered.
6. Budgets for governmental fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Deficits

The following funds had deficit positions in fund balance at of June 30, 2012:

Special Revenue Funds:

Water and Sewer	\$ (377,189)
Housing and Community Projects	(129,349)

Compliance with Bond Covenants

The 1995 electric utility revenue bonds require that the City will establish, maintain and collect rates and charges for all services or facilities supplied by the system in each fiscal year that will provide net revenues in an amount equal to at least 1.1 times the amount of the annual debt service requirement for such year on all outstanding bonds and outstanding parity bonds.

Income from operations, excluding depreciation expense – amount available for debt service	\$ 402,527
Less debt service requirement of the 1995 revenue bonds x 1.1	<u>159,840</u>
Net revenue over debt service requirement	\$ <u>242,687</u>

As shown above, the City met the revenue requirement for the year ended June 30, 2012. In addition, certain covenants of the 1995 revenue bonds require the City to maintain reserve and redemption accounts. These requirements were not being met at June 30, 2012.

(3) **Cash and Investments**

Except for the Permanent Fund, all cash is maintained in a central treasury and is available for use by all funds. Each fund's portion of the central treasury is displayed on the balance sheet as "cash and investments" or in the case of "negative cash," is included in "due to other funds" or "advances to other funds." All of the City's cash is held in the form of demand accounts including checking, savings, short-term certificates of deposit, and overnight repurchase agreements held by commercial banks.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Cash and Investments, continued

Reconciliation of Deposit and Investment Balances

A reconciliation of cash and investments as shown on the statement of net assets follows:

Cash	\$ 392,026	Cash and investments	\$ 867,361
Pooled investments	<u>583,768</u>	Restricted cash	<u>108,433</u>
	<u>\$ 975,794</u>		<u>\$ 975,794</u>

Investment policy

The investment policy authorizes the City to invest in certificates of deposit, U.S. Treasury securities, government bonds and notes, money markets, mutual funds, and an investment pool authorized by Alaska Statutes. Investments are carried at fair value.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAm for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the Pool. The law sets forth numerous requirements regarding authorized investments and reporting. The share value of investments in the AMLIP is approximately equal to fair value.

Custodial credit risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. To limit credit risk, City policy requires that all deposits be insured or covered by collateralization agreements.

(4) **Investment in Southwest Governments, LLC**

The City purchased a 10 percent ownership in Southwest Governments, LLC, an investment company formed to buy an office building in Anchorage, Alaska. The office building was purchased in May 2002 and is currently rented to outside parties, including the group that owns Southwest Governments, LLC. The City's investment in Southwest Governments, LLC, is recorded on the cost method.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(5) **Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, <u>2011</u>	Additions and Reclass- ifications	Deletions and Reclass- ifications	Balance June 30, <u>2012</u>
<u>Governmental activities</u>				
<i>Capital assets not being depreciated -</i>				
Land	\$ <u>414,390</u>	<u>-</u>	<u>-</u>	<u>414,390</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,971,730	-	-	4,971,730
Improvements other than buildings	21,697,923	-	-	21,697,923
Equipment	<u>1,393,909</u>	<u>72,120</u>	<u>-</u>	<u>1,466,029</u>
Total assets being depreciated	<u>28,063,562</u>	<u>72,120</u>	<u>-</u>	<u>28,135,682</u>
Less accumulated depreciation for:				
Buildings	1,507,688	159,593	-	1,667,281
Improvements other than buildings	2,170,314	584,946	-	2,755,260
Equipment	<u>930,394</u>	<u>72,071</u>	<u>-</u>	<u>1,002,465</u>
Total accumulated depreciation	<u>4,608,396</u>	<u>816,610</u>	<u>-</u>	<u>5,425,006</u>
Total capital assets being depreciated, net	<u>23,455,166</u>	<u>(744,490)</u>	<u>-</u>	<u>22,710,676</u>
Governmental activity capital assets, net	\$ <u>23,869,556</u>	<u>(744,490)</u>	<u>-</u>	<u>23,125,066</u>
<u>Business-type activities</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ <u>48,372</u>	<u>-</u>	<u>-</u>	<u>48,372</u>
Construction in progress	<u>-</u>	<u>13,133</u>	<u>-</u>	<u>13,133</u>
Total assets not being depreciated	<u>48,372</u>	<u>13,133</u>	<u>-</u>	<u>61,505</u>
<i>Capital assets being depreciated:</i>				
Buildings	2,559,354	-	-	2,559,354
Improvements other than buildings	27,270,275	-	-	27,270,275
Equipment	<u>5,809,199</u>	<u>6,000</u>	<u>-</u>	<u>5,815,199</u>
Total assets being depreciated	<u>35,638,828</u>	<u>6,000</u>	<u>-</u>	<u>35,644,828</u>

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Capital Assets, continued

Business-type activities, continued

	Balance July 1, <u>2011</u>	Additions and Reclass- <u>ifications</u>	Deletions and Reclass- <u>ifications</u>	Balance June 30, <u>2012</u>
Less accumulated depreciation for:				
Buildings	\$ 968,846	67,906	-	1,036,752
Improvements other than buildings	6,786,838	600,359	-	7,387,197
Equipment	<u>2,207,776</u>	<u>189,368</u>	<u>-</u>	<u>2,397,144</u>
Total accumulated depreciation	<u>9,963,460</u>	<u>857,633</u>	<u>-</u>	<u>10,821,093</u>
 Total capital assets being depreciated, net	 <u>25,675,368</u>	 <u>(851,633)</u>	 <u>-</u>	 <u>24,823,735</u>
 Business-type activity capital assets, net	 \$ <u>25,723,740</u>	 <u>(838,500)</u>	 <u>-</u>	 <u>24,885,240</u>

Depreciation expense was charged to the functions as follows:

Governmental activities

General government	\$ 6,858
Public safety	34,449
Public works	425,681
Water and sewer	124,639
Solid waste	216,037
Community services	<u>8,946</u>
Total depreciation expense - governmental activities	\$ <u>816,610</u>

Business-type activities

Electric	330,687
City fuel	43,574
Boat harbor and port	<u>483,372</u>
Total depreciation expense – business-type activities	\$ <u>857,633</u>

(6) **Interfund Receivables, Payables and Transfers**

A schedule of interfund balances, advances and transfers for the year ended June 30, 2012, follows:

Due to other funds

Due to nonmajor governmental funds from other nonmajor governmental funds for short term operating advances	\$ <u>167,567</u>
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CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Interfund Receivables, Payables and Transfers, continued

Advances to other funds -

These are longer term and repayment terms have not been established.

Advance from General Fund to:

Electric Enterprise Fund	\$ 562,042
City Fuel Enterprise Fund	428,164
Harbor and Port Enterprise Fund	320,964
Housing and Community Projects Special Revenue Fund	<u>67,820</u>
	1,378,990

Advance from Permanent Fund Special Revenue Fund to Water and Sewer Special Revenue Fund

208,336

Advance from nonmajor governmental funds to

Water and Sewer Special Revenue Fund	166,169
Housing and Community Projects Special Revenue Fund	<u>5,288</u>
Total advances to other funds	\$ <u>1,758,783</u>

Transfers

From General Fund to:

Water and Sewer Special Revenue Fund for operating costs	\$ 20,000
Housing and Community Projects Special Revenue Fund for community projects	100,000
Permanent Fund Special Revenue Fund for future use	100,000
General Capital Projects Fund for capital projects	175,000
Vehicle and Machinery Replacement Capital Project Fund for equipment	100,000
Harbor and Port Enterprise Fund for capital projects	<u>82,000</u>
Total transfers from General Fund	577,000

General Capital Projects Fund to:

Water Pipe Capital Project Fund to close out project	19,675
Public Safety Building – Energy Upgrades Special Revenue Fund for energy upgrades	9,848

Harbor and Port Enterprise Fund to the Solid Waste Collection Special Revenue Fund for equipment and operations

10,000

Total transfers to other funds \$ 616,523

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(7) Notes Payable

In October 2001, the City borrowed \$400,000 from the Docket 369 Committee to pay for gravel dredging from the new harbor. In 2009, a settlement was reached with the Docket 369 Committee whereby the City will pay \$200,000 on the loan and the balance will be forgiven. At June 30, 2012, \$150,000 has been paid to the Docket 369 Committee. As a result of the agreement between the City and Docket 369 Committee, the Housing and Community Projects Special Revenue Fund recognized the \$200,000 of debt forgiveness as revenue for the year ended June 30, 2009. The balance still owing on the loan at June 30, 2012 is \$50,000.

(8) Long - Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2012:

	Balance July 1, 2011	Additions	Retired	Balance June 30, 2012	Due Within One Year
<u>Governmental Activities</u>					
\$1,375,000 USDA water project loan, due in semi- annual installments of \$37,300 including interest through March 2040; interest at 4.5%	\$ 1,188,000	-	19,788	1,168,212	22,278
\$300,000 Delta Creek water project loan, due in annual installments of \$15,000 plus interest through January 2027; interest at 1.5%	240,000	-	15,000	225,000	15,000
Landfill closure costs	825,598	35,896	-	861,494	-
Accrued leave	<u>104,615</u>	<u>68,828</u>	<u>41,994</u>	<u>131,449</u>	<u>-</u>
Total governmental activities	\$ <u>2,358,213</u>	<u>104,724</u>	<u>76,782</u>	<u>2,386,155</u>	<u>37,278</u>
<u>Business-type Activities</u>					
\$1,961,500 1995 electric utility revenue bonds, due in semi- annual installments of \$72,656, including interest through May 2020; interest at 5.5%	\$ 1,064,120	-	132,969	931,151	95,398

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Long - Term Debt, continued

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Retired</u>	Balance June 30, <u>2012</u>	Due Within One Year
<u>Business-type Activities, continued</u>					
\$745,000 Harbor revenue bond, due in annual installments of \$25,000 to \$50,000 through 2030; interest at 2.00% to 5.43%	\$ 745,000	-	25,000	720,000	30,000
\$500,000 Harbor revenue bond, due in annual installments of \$20,000 to \$35,000 through 2029; interest at 2.00% to 6.04%	500,000	-	20,000	480,000	20,000
Accrued leave	<u>24,316</u>	<u>22,839</u>	<u>36,154</u>	<u>11,001</u>	<u>-</u>
Total business-type activities	\$ <u>2,333,436</u>	<u>22,839</u>	<u>214,123</u>	<u>2,142,152</u>	<u>145,398</u>

The annual requirements to pay all general long-term debt outstanding (exclusive of accrued leave and landfill closure costs) as of June 30, 2012 are as follows:

Governmental activities

Year Ended June 30,	Water Loans		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 37,278	55,697	92,975
2014	38,292	54,458	92,750
2015	39,352	53,173	92,525
2016	40,460	51,840	92,300
2017	41,619	50,456	92,075
2018-2022	227,405	229,595	457,000
2023-2027	265,384	185,991	451,375
2028-2032	237,829	135,171	373,000
2033-2037	297,097	75,903	373,000
2038-2040	<u>168,496</u>	<u>11,244</u>	<u>179,740</u>
	\$ <u>1,393,212</u>	<u>903,528</u>	<u>2,296,740</u>

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Long - Term Debt, continued

Business-type activities

Year Ended June 30,	<u>Electric Revenue Bond</u>			<u>Harbor Revenue Bonds</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Federal Subsidy</u>	<u>Total</u>
2013	\$ 95,398	49,919	145,317	50,000	56,004	(18,255)	87,749
2014	100,717	44,600	145,317	50,000	54,854	(18,254)	86,600
2015	106,332	38,985	145,317	50,000	53,354	(18,255)	85,099
2016	112,261	33,056	145,317	50,000	51,704	(18,254)	83,450
2017	118,520	26,797	145,317	55,000	49,904	(18,255)	86,649
2018-2022	397,923	39,280	437,203	305,000	213,000	(84,175)	433,825
2023-2027	-	-	-	350,000	134,156	(54,655)	429,501
2028-2031	-	-	-	290,000	33,186	(13,665)	309,521
	<u>\$ 931,151</u>	<u>232,637</u>	<u>1,163,788</u>	<u>1,200,000</u>	<u>646,162</u>	<u>(243,768)</u>	<u>1,602,394</u>

(9) **Municipal Landfill Closure and Post-closure Liability**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and post-closure care costs each period based on landfill capacity used as of each balance sheet date.

The \$861,494 (an increase of \$35,896 from June 30, 2011) reported as landfill closure costs payable at June 30, 2012, represents the cumulative amount reported to date based on a study conducted several years ago. The final closure costs may vary significantly from the above estimate.

At June 30, 2012, the City has not reserved or designated any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

(10) **Fund Balances**

Fund balances reported in the City's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet is subject to the following constraints:

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Fund Balances, continued

	<u>General</u>	<u>Permanent Fund Special Revenue</u>	<u>Water and Sewer Special Revenue</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Nonspendable:					
Prepaid items	\$ 61,730	-	-	-	61,730
Long-term advances	1,378,990	208,336	-	171,457	1,758,783
Investment in Southwest Governments, LLC	<u>118,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,136</u>
Total nonspendable	<u>1,558,856</u>	<u>208,336</u>	<u>-</u>	<u>171,457</u>	<u>1,938,649</u>
Committed – Permanent Fund	<u>-</u>	<u>583,767</u>	<u>-</u>	<u>-</u>	<u>583,767</u>
Assigned:					
Vehicle and machinery replacement	-	-	-	150,952	150,952
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,560</u>	<u>193,560</u>
Total assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,512</u>	<u>344,512</u>
Unassigned (deficit)	<u>138,316</u>	<u>-</u>	<u>(377,189)</u>	<u>(129,557)</u>	<u>(368,430)</u>
Total fund balances	\$ <u>1,697,172</u>	<u>792,103</u>	<u>(377,189)</u>	<u>386,412</u>	<u>2,498,498</u>

(11) **Defined Benefit Pension Plan**

The City participates in the Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration to provide pension, postemployment healthcare, death, and disability benefits. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, Alaska 99811-0203

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Conversion to Cost Sharing

In April 2008, the Alaska Legislature passed Senate Bill (SB) 125 which converted the existing Public Employees Retirement System (PERS) from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. Under the cost-sharing arrangement, the State of Alaska Division of Retirement and Benefits no longer tracks individual employer assets and liabilities. Rather, all plan costs and past service liabilities are shared among all participating employers. The cost-sharing plan requires a uniform employer contribution rate of 22% of active member wages, subject to a wage floor. Legislation provides for State contributions in the event that the annually calculated and board adopted rate, which includes a provision to pay down the past-service liability, exceeds 22%. Any such additional contributions are recognized by each employer as an on-behalf payment.

In addition, in fiscal year 2008, the State of Alaska passed legislation (SB 123) which requires that the employer contribution be calculated on all PERS eligible wages, including wages attributable to the defined contribution plan described later in these footnotes.

Funding Policy

Regular employees are required to contribute 6.75% of their annual covered salary (3.04% for pension and 3.71% for healthcare). Police and firefighters are required to contribute 7.5% of their annual covered salary (3.38% for pension and 4.12% for healthcare).

The funding policy provides for periodic employer contributions based on actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due.

Under current legislation, the employer contribution rate is statutorily capped at 22%. However, the State of Alaska contributes any amount over 22% such that the total contribution equals the Alaska Retirement Management Board adopted rate which is generally consistent with the actuarially determined rate.

The City's contribution rates for the year ended June 30, 2012 were determined as part of the June 30, 2009 actuarial valuation and are as follows:

	Contractual <u>Rate</u>	ARM Board Adopted <u>Rate</u>	GASB 43* <u>Rate</u>
Pension	9.92%	15.10%	23.10%
Postemployment healthcare	<u>12.08%</u>	<u>18.39%</u>	<u>32.74%</u>
Total contribution rate	<u>22.00%</u>	<u>33.49%</u>	<u>55.84%</u>

* This rate uses an 8.25% pension discount rate and a 7.45% healthcare discount rate and disregards all future Medicare Part D payments.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

Defined Benefit Pension Plan, continued

Funding Policy, continued

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial values of assets.

Projected benefits for financial reporting purposes do not incorporate any potential effects of legal or contractual funding limitations.

Annual Pension and Postemployment Healthcare Cost

The City is required to contribute 22% of covered payroll, subject to a wage floor. In addition, the State of Alaska contributed approximately 11.49% of covered payroll to the Plan. In accordance with the provisions of GASB Statement Number 24, the City has recorded the State on-behalf payment in the amount of \$126,530 as revenue and expense/expenditures in these financial statements. However, because the City is not statutorily obligated for these payments, this amount is excluded from pension and OPEB cost as described here.

<u>Year Ended June 30</u>	<u>Annual Pension Cost</u>	<u>Annual OPEB Cost</u>	<u>Total Benefit Cost (TBC)</u>	<u>City Contri- butions</u>	<u>% of TBC Contributed</u>
2012	\$ 85,934	\$ 104,646	\$ 190,580	\$ 190,580	100%
2011	66,519	119,903	186,422	186,422	100%
2010	73,065	123,924	196,989	196,989	100%

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(12) **Defined Contribution Pension Plan**

The State of Alaska Legislature approved Senate Bill 141 to create the Public Employees' Retirement System (PERS) Tier IV for employees hired after July 1, 2006 or for employees converting from the PERS Tier I, II or III defined benefit plans. The Plan is administered by the State of Alaska, Department of Administration, and benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. Employees are required to contribute 8.0% of their annual covered salary, and the City is required to make the following contributions:

	<u>Others</u> <u>Tier IV</u>	<u>Police/Fire</u> <u>Tier IV</u>
Individual account	5.00%	5.00%
Health reimbursement arrangement (HRA) *	3.00	3.00
Retiree medical plan	0.51	0.51
Occupational death and disability benefits	<u>0.11</u>	<u>0.97</u>
	<u>8.62</u> %	<u>9.48</u> %

*Health Reimbursement Arrangement – AS 39.30.370 requires that the employer contribute “an amount equal to three percent of the average employer’s average annual employee compensation.” For actual remittance, this amount is calculated as a flat rate for each full time or part-time employee per pay period.

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. The City and employee contributions to PERS including the HRA contribution for the year ended June 30, 2012 were \$48,729 and \$35,241, respectively.

(13) **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The provisions of the plan require that all assets and income of the plan be held in trust for the exclusive benefit of participants and their beneficiaries.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

(14) **Permanent Fund**

Per City Code 5.05.225 there is hereby established a capital reserve account (Permanent Fund). It is the City's intent in establishing this fund that it be used to purchase new equipment, replace existing equipment, or make major repairs to existing equipment or facilities so the City has adequate capital facilities and equipment to provide the public services it delivers. In addition, the fund can be used for the public safety and welfare of residents of the City if emergency needs exist.

(15) **Risk Management**

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring the risk of loss, except for relatively small deductible amounts, are purchased for employee medical costs. The City participates in the Alaska Municipal League Joint Insurance Association (AML/JIA) which provides insurance coverage for property and contents damage, torts, general and automobile liability, and worker's compensation. The AML/JIA is a public entity risk pool organized to share risks among its members. The Association's bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based on each member's annual deposit contribution in comparison to the aggregate annual deposit contributions of all members. The Association made no supplemental assessments during the year ended June 30, 2012. The City has no coverage for potential losses from environmental damages. Coverage limits and the deductibles on the policies have stayed relatively constant for the last several years.

(16) **Contingent Liabilities**

The City participates in a number of State and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(17) **New Accounting Pronouncements**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Of the numerous statements, the following are expected to have some effect on the City's financial reporting. Actual impacts have yet to be determined.

GASB 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – Effective for year end June 30, 2013 – This statement will result in a change to the government's presentation of proprietary fund statements and government-wide statements from a traditional "Balance Sheet" format to a new "Statement of Net Position" format which will segregate deferred inflows and deferred outflows from assets and liabilities respectively.

CITY OF KING COVE, ALASKA

Notes to Basic Financial Statements, continued

New Accounting Pronouncements, continued

GASB 65 – Items Previously Reported as Assets and Liabilities – Effective for year end June 30, 2014 – This statement is a companion to GASB Statement 63 and establishes accounts to be reclassified as deferred inflows and outflows. In addition, certain items previously reported as assets or liabilities will be moved to the income statement. For example, debt issuance costs will no longer be capitalized and amortized but will be expensed as incurred, and certain regulatory assets and liabilities will be reclassified to deferred inflows and outflows.

GASB 66 – Technical Corrections – 2012 – Effective for year end June 30, 2014 – This statement contains certain technical corrections to prior GASB statements on the topics of Risk Financing, Operating Leases, Loan Purchases, and Servicing Fees.

GASB 68 – Accounting and Financial Reporting for Pensions – Effective for year end June 30, 2015 – This statement will require all governments that participate in defined benefit pension plans to report any “net pension liability” (as newly defined). An additional GASB statement provides guidance for the Plan reporting with a one year earlier implementation.

SUPPLEMENTARY INFORMATION

CITY OF KING COVE, ALASKA

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2012

<u>Assets</u>	<u>Special Revenue Funds</u>				<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Solid Waste Collection</u>	<u>Housing and Community Projects</u>	<u>Public Safety Building Energy Upgrades</u>	<u>Izembek Land Exchange EIS #2</u>	<u>General Capital Projects</u>	<u>Water Pipe</u>	<u>Vehicle and Machinery Replacement</u>	
Cash and investments	\$ -	-	-	-	283,594	-	-	283,594
Accounts receivable	4,861	-	-	-	-	-	-	4,861
Grants receivable	-	-	6,560	192,375	-	-	-	198,935
Due from other funds	-	-	-	-	7,494	-	160,073	167,567
Advance to other funds	65,976	-	-	-	105,481	-	-	171,457
Total assets	\$ 70,837	-	6,560	192,375	396,569	-	160,073	826,414
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable	498	5,794	-	31,368	97,528	-	9,121	144,309
Accrued payroll and related liabilities	4,571	447	-	-	-	-	-	5,018
Note payable	-	50,000	-	-	-	-	-	50,000
Due to other funds	-	-	6,560	161,007	-	-	-	167,567
Advance from other funds	-	73,108	-	-	-	-	-	73,108
Total liabilities	5,069	129,349	6,560	192,375	97,528	-	9,121	440,002
Fund balances (deficit):								
Nonspendable - long term advance	65,976	-	-	-	105,481	-	-	171,457
Assigned:								
General capital projects	-	-	-	-	193,560	-	-	193,560
Vehicle and machinery replacement	-	-	-	-	-	-	150,952	150,952
Unassigned (deficit)	(208)	(129,349)	-	-	-	-	-	(129,557)
Total fund balances (deficit)	65,768	(129,349)	-	-	299,041	-	150,952	386,412
Total liabilities and fund balances	\$ 70,837	-	6,560	192,375	396,569	-	160,073	826,414

CITY OF KING COVE, ALASKA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Year Ended June 30, 2012

	Special Revenue Funds					Capital Project Funds			Total
	Solid Waste Collection	Housing and Community Projects	Izembek Land Exchange	Public Safety Building Energy Upgrades	Izembek Land Exchange EIS #2	General Capital Projects	Water Pipe	Vehicle and Machinery Replace- ment	Nonmajor Govern- mental Funds
Revenues:									
Intergovernmental	\$ 5,729	-	5,231	40,300	299,466	6,882	-	-	357,608
Charges for services	96,197	40,005	-	-	-	-	-	-	136,202
Other	-	-	-	-	-	120,863	-	-	120,863
Total revenues	<u>101,926</u>	<u>40,005</u>	<u>5,231</u>	<u>40,300</u>	<u>299,466</u>	<u>127,745</u>	<u>-</u>	<u>-</u>	<u>614,673</u>
Expenditures:									
General government	-	-	-	-	-	628	-	-	628
Public safety	-	-	-	50,148	-	-	-	-	50,148
Public works	-	-	-	-	-	95,244	-	-	95,244
Community services	-	176,494	5,231	-	299,466	-	-	80,338	561,529
Water and sewer	-	-	-	-	-	131,686	-	-	131,686
Solid waste collection	<u>117,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,690</u>
Total expenditures	<u>117,690</u>	<u>176,494</u>	<u>5,231</u>	<u>50,148</u>	<u>299,466</u>	<u>227,558</u>	<u>-</u>	<u>80,338</u>	<u>956,925</u>
Excess of revenues over (under) expenditures	(15,764)	(136,489)	-	(9,848)	-	(99,813)	-	(80,338)	(342,252)
Other financing sources (uses):									
Transfers in	10,000	100,000	-	9,848	-	175,000	19,675	100,000	414,523
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,523)</u>	<u>-</u>	<u>-</u>	<u>(29,523)</u>
Net change in fund balances	(5,764)	(36,489)	-	-	-	45,664	19,675	19,662	42,748
Beginning fund balances (deficits)	<u>71,532</u>	<u>(92,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,377</u>	<u>(19,675)</u>	<u>131,290</u>	<u>343,664</u>
Ending fund balances (deficit)	\$ <u>65,768</u>	<u>(129,349)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,041</u>	<u>-</u>	<u>150,952</u>	<u>386,412</u>

CITY OF KING COVE, ALASKA

General Fund

Balance Sheet

June 30, 2012

With Comparative Amounts for 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Receivables:			
Accounts	\$	10,850	12,143
Sales taxes		<u>242,674</u>	<u>271,936</u>
Total receivables		<u>253,524</u>	<u>284,079</u>
Due from other funds		-	1,323,592
Prepaid items		61,730	16,586
Advance to other funds		1,378,990	-
Investment in Southwest Governments, LLC		<u>118,136</u>	<u>118,136</u>
Total assets	\$	<u><u>1,812,380</u></u>	<u><u>1,742,393</u></u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable		54,522	41,182
Accrued payroll and related liabilities		<u>60,686</u>	<u>63,872</u>
Total liabilities		<u>115,208</u>	<u>105,054</u>
Fund balances:			
Nonspendable:			
Prepaid items		61,730	16,586
Advance to other funds		1,378,990	-
Investment in Southwest Government, LLC		118,136	118,136
Unassigned		<u>138,316</u>	<u>1,502,617</u>
Total fund balances		<u>1,697,172</u>	<u>1,637,339</u>
Total liabilities and fund balance	\$	<u><u>1,812,380</u></u>	<u><u>1,742,393</u></u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Taxes:				
Sales tax	\$ 1,750,000	1,663,106	(86,894)	1,833,699
Business impact tax	100,000	100,000	-	110,000
Total taxes	<u>1,850,000</u>	<u>1,763,106</u>	<u>(86,894)</u>	<u>1,943,699</u>
Intergovernmental:				
Aleutians East Borough - 2012 Economic Development Grant	150,000	150,000	-	-
State of Alaska:				
Shared fisheries business tax	437,823	437,823	-	465,145
State PERS relief	40,000	78,606	38,606	50,437
State revenue sharing	190,177	190,177	-	133,313
State liquor license	4,000	4,000	-	2,500
Extraterritorial fish tax	55,700	55,700	-	42,137
Energy assistance	20,000	49,109	29,109	-
Total intergovernmental	<u>897,700</u>	<u>965,415</u>	<u>67,715</u>	<u>693,532</u>
Charges for services:				
Public safety revenue	3,000	2,195	(805)	509
Co-op and teen center revenue	39,000	29,412	(9,588)	29,854
Recreational programs	41,000	58,822	17,822	43,241
Total charges for services	<u>83,000</u>	<u>90,429</u>	<u>7,429</u>	<u>73,604</u>
Other revenues - miscellaneous	<u>16,000</u>	<u>11,363</u>	<u>(4,637)</u>	<u>11,486</u>
Total revenues	<u>2,846,700</u>	<u>2,830,313</u>	<u>(16,387)</u>	<u>2,722,321</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2012			2011
			Variance Positive (Negative)	
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures:				
General government:				
City Council:				
Salaries	\$ 7,200	7,300	(100)	3,000
Employee benefits	63,000	65,681	(2,681)	55,420
Dues and fees	2,200	2,131	69	1,233
Insurance	-	24	(24)	-
Total City Council	<u>72,400</u>	<u>75,136</u>	<u>(2,736)</u>	<u>59,653</u>
Planning:				
Salaries	36,151	36,745	(594)	36,620
Stipends	1,000	500	500	1,550
Employee benefits	10,022	13,004	(2,982)	9,914
Insurance	1,210	1,210	-	1,306
Miscellaneous	-	-	-	325
Deferred compensation	<u>1,470</u>	<u>1,418</u>	<u>52</u>	<u>1,781</u>
Total planning	<u>49,853</u>	<u>52,877</u>	<u>(3,024)</u>	<u>51,496</u>
Administration:				
Salaries	117,000	116,257	743	114,410
Employee benefits	66,800	67,816	(1,016)	57,882
Contract labor	2,500	1,055	1,445	4,050
Travel and per diem	4,000	4,125	(125)	9,774
Telephone	7,000	7,393	(393)	6,346
Postage	6,000	4,751	1,249	6,453
Supplies	10,000	11,724	(1,724)	11,976
Utilities - diesel	4,500	4,512	(12)	3,296
Utilities - electric	2,000	1,899	101	1,178
Dues and fees	5,000	3,263	1,737	4,697
Insurance	5,349	5,349	-	6,581
Miscellaneous	-	-	-	125
Deferred compensation	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total administration	<u>233,149</u>	<u>231,144</u>	<u>2,005</u>	<u>229,768</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2012			2011
			Variance	
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u>	<u>Actual</u>
			<u>(Negative)</u>	
Expenditures, continued:				
General government, continued:				
Anchorage office:				
Salaries	\$ 160,000	121,398	38,602	116,399
Employee benefits	33,500	36,805	(3,305)	22,347
Contract labor	55,000	53,616	1,384	65,020
Travel and per diem	20,000	18,469	1,531	23,587
Telephone	4,000	6,322	(2,322)	3,971
Postage	250	251	(1)	276
Supplies	7,500	9,473	(1,973)	4,269
Rent	15,000	14,274	726	13,922
Dues and fees	3,850	3,850	-	650
Insurance	3,703	3,703	-	3,919
Deferred compensation	4,350	4,821	(471)	6,897
Total Anchorage office	<u>307,153</u>	<u>272,982</u>	<u>34,171</u>	<u>261,257</u>
Total general government	<u>662,555</u>	<u>632,139</u>	<u>30,416</u>	<u>602,174</u>
Public safety:				
Salaries	203,100	210,609	(7,509)	209,706
Employee benefits	102,575	126,000	(23,425)	112,763
Stipends	10,000	9,670	330	6,300
Contract labor	90,000	90,000	-	90,000
Travel and per diem	5,000	2,119	2,881	2,572
Telephone	10,000	10,142	(142)	11,781
Supplies	25,000	25,919	(919)	25,552
Postage	1,500	1,992	(492)	1,611
Utilities - diesel	11,000	9,438	1,562	12,955
Utilities - electric	6,500	6,598	(98)	3,570
Dues and fees	1,000	1,000	-	347
Insurance	24,685	24,685	-	26,124
Fuel	12,000	17,200	(5,200)	14,273
Miscellaneous	-	-	-	4,750
Animal control	9,968	9,968	-	8,162
Deferred compensation	6,000	6,000	-	6,000
Total public safety	<u>518,328</u>	<u>551,340</u>	<u>(33,012)</u>	<u>536,466</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	<u>2012</u>		<u>Variance Positive (Negative)</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Public works:				
Salaries	\$ 263,000	181,685	81,315	203,760
Employee benefits	127,000	94,132	32,868	94,627
Travel and per diem	2,500	5,005	(2,505)	1,868
Telephone	3,000	3,023	(23)	2,784
Supplies	45,000	56,685	(11,685)	54,577
Utilities - electric	26,000	32,465	(6,465)	17,628
Insurance	25,919	25,919	-	27,430
Fuel - gas	5,000	6,443	(1,443)	3,640
Fuel - diesel	25,000	25,239	(239)	24,867
Advertising	-	350	(350)	-
Miscellaneous	860	1,250	(390)	-
Deferred compensation	3,100	2,590	510	5,045
Total public works	<u>526,379</u>	<u>434,786</u>	<u>91,593</u>	<u>436,226</u>
Community services - recreational programs:				
Salaries	102,000	108,274	(6,274)	110,996
Employee benefits	38,000	46,070	(8,070)	37,669
Telephone	4,500	4,346	154	3,849
Supplies	35,000	39,404	(4,404)	36,835
Utilities - diesel	100,000	109,781	(9,781)	80,383
Utilities - electric	27,500	32,056	(4,556)	18,221
Dues and fees	2,500	2,495	5	1,150
Insurance	8,640	8,640	-	9,143
Fuel - gas	1,500	1,513	(13)	1,677
Fuel - diesel	-	-	-	42
Bank fees	100	60	40	55
Total community services	<u>319,740</u>	<u>352,639</u>	<u>(32,899)</u>	<u>300,020</u>

CITY OF KING COVE, ALASKA

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

	2012		Variance Positive (Negative)	2011
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Expenditures, continued:				
Other:				
Audit and accounting assistance	\$ 42,300	42,324	(24)	36,517
Legal	15,000	18,813	(3,813)	23,560
Engineering	-	-	-	3,717
Elections	600	600	-	600
Senior citizen power subsidy	51,000	51,202	(202)	46,181
Bank fees	15,000	15,923	(923)	14,651
Donations	5,000	5,702	(702)	4,836
Aleutia grant expenditures	75,000	86,999	(11,999)	58,552
Miscellaneous	5,000	1,013	3,987	2,357
Total other	<u>208,900</u>	<u>222,576</u>	<u>(13,676)</u>	<u>190,971</u>
Total expenditures	<u>2,235,902</u>	<u>2,193,480</u>	<u>42,422</u>	<u>2,065,857</u>
Excess of revenues over expenditures	610,798	636,833	26,035	656,464
Other financing uses - transfers to:				
Special Revenue Funds:				
Water and Sewer	(20,000)	(20,000)	-	-
Housing and Community Projects	(100,000)	(100,000)	-	-
Permanent Fund	(100,000)	(100,000)	-	-
Capital Project Funds:				
General Capital Projects	(175,000)	(175,000)	-	(400,000)
Vehicle and Machinery Replacement	(100,000)	(100,000)	-	(75,000)
Harbor and Port Enterprise Fund	(82,000)	(82,000)	-	(23,000)
Total other financing uses	<u>(577,000)</u>	<u>(577,000)</u>	<u>-</u>	<u>(498,000)</u>
Net change in fund balance	\$ <u>33,798</u>	59,833	<u>26,035</u>	158,464
Beginning fund balance		1,637,339		1,411,771
Change in beginning fund balance - GASB 54		<u>-</u>		<u>67,104</u>
Ending fund balance	\$	<u>1,697,172</u>		<u>1,637,339</u>

CITY OF KING COVE, ALASKA
Solid Waste Collection Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Collection fees	\$ 115,150	96,134	(19,016)	104,360
State PERS relief	-	5,729	5,729	4,592
Finance charges	60	63	3	96
Total revenues	<u>115,210</u>	<u>101,926</u>	<u>(13,284)</u>	<u>109,048</u>
Expenditures - solid waste collection:				
Salaries	56,650	56,160	490	57,030
Employee benefits	28,150	34,161	(6,011)	31,149
Engineering	-	-	-	2,441
Supplies	5,000	9,972	(4,972)	5,962
Dues and fees	-	-	-	150
Equipment	15,000	6,547	8,453	-
Insurance	7,405	7,405	-	7,837
Fuel - diesel	3,600	3,338	262	3,201
Deferred compensation	150	107	43	530
Total expenditures	<u>115,955</u>	<u>117,690</u>	<u>(1,735)</u>	<u>108,300</u>
Excess of revenues over (under) expenditures	(745)	(15,764)	(15,019)	748
Other financing sources - transfers from				
Harbor and Port Enterprise Fund	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	\$ <u>9,255</u>	<u>(5,764)</u>	<u>(15,019)</u>	10,748
Beginning fund balance		<u>71,532</u>		<u>60,784</u>
Ending fund balance	\$	<u>65,768</u>		<u>71,532</u>

CITY OF KING COVE, ALASKA
Housing and Community Projects Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Deficit - Budget and Actual
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>			<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)	<u>Actual</u>
Revenues:				
Housing rental	\$ 22,800	19,600	(3,200)	27,100
Gravel sales	2,500	2,419	(81)	2,853
Space rental	2,500	2,007	(493)	2,364
Equipment rental	10,000	4,475	(5,525)	56,018
Other	14,500	11,504	(2,996)	2,242
Total revenues	<u>52,300</u>	<u>40,005</u>	<u>(12,295)</u>	<u>90,577</u>
Expenditures - community services:				
Salaries	21,000	26,856	(5,856)	22,703
Employee benefits	10,000	13,878	(3,878)	10,886
Contract labor	-	-	-	250
Telephone	-	-	-	101
Supplies	101,000	109,694	(8,694)	55,623
Utilities - heat	12,000	14,154	(2,154)	9,652
Utilities - electric	10,000	10,441	(441)	8,260
Insurance	1,234	1,234	-	1,306
Deferred compensation	350	237	113	541
Total expenditures	<u>155,584</u>	<u>176,494</u>	<u>(20,910)</u>	<u>109,322</u>
Excess of revenues over (under) expenditures	(103,284)	(136,489)	(33,205)	(18,745)
Other financing sources (uses) - transfers from (to):				
General Fund	100,000	100,000	-	-
Vehicle and Machinery Replacement Capital				
Project Fund	-	-	-	(25,000)
Net other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in deficit	\$ <u>(3,284)</u>	(36,489)	<u>(33,205)</u>	(43,745)
Beginning deficit		<u>(92,860)</u>		<u>(49,115)</u>
Ending deficit	\$	<u>(129,349)</u>		<u>(92,860)</u>

CITY OF KING COVE, ALASKA
Izembek Land Exchange Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

		<u>Actual</u>			<u>Variance</u>
	<u>Budget</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Positive</u>
		<u>Year</u>	<u>Year</u>		<u>(Negative)</u>
Revenues - intergovernmental	\$ 300,000	294,769	5,231	300,000	-
Expenditures - community services:					
Salaries	50,000	48,986	-	48,986	1,014
Employee benefits	11,000	10,391	-	10,391	609
Contract labor	198,000	195,598	5,231	200,829	(2,829)
Engineering	24,000	23,544	-	23,544	456
Travel and per diem	17,000	16,250	-	16,250	750
Total expenditures	300,000	294,769	5,231	300,000	-
Net change in fund balance	\$ -	-	-	-	-
Beginning fund balance			-		
Ending fund balance			\$ -		

CITY OF KING COVE, ALASKA
Public Safety Building - Energy Upgrades Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - intergovernmental	\$ <u>40,300</u>	<u>40,300</u>	<u>-</u>
Expenditures - public safety:			
Contract labor	-	22,041	(22,041)
Travel	-	5,172	(5,172)
Supplies	<u>40,300</u>	<u>22,935</u>	<u>17,365</u>
Total expenditures	<u>40,300</u>	<u>50,148</u>	<u>(9,848)</u>
Excess of revenues over (under) expenditures	-	(9,848)	(9,848)
Other financing sources - transfer from General Capital Projects Fund	<u>-</u>	<u>9,848</u>	<u>9,848</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u>-</u>	<u><u>-</u></u>
Beginning fund balance		<u>-</u>	
Ending fund balance		\$ <u><u>-</u></u>	

CITY OF KING COVE, ALASKA
Izembek Land Exchange EIS #2 Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues - intergovernmental	\$ <u>300,000</u>	<u>299,466</u>	<u>(534)</u>
Expenditures - community services:			
Salaries	40,229	41,049	(820)
Employee benefits	3,262	3,140	122
Contract labor	242,917	161,708	81,209
Engineering	<u>13,592</u>	<u>93,569</u>	<u>(79,977)</u>
Total expenditures	<u>300,000</u>	<u>299,466</u>	<u>534</u>
Net change in fund balance	\$ <u><u>-</u></u>	<u>-</u>	<u>-</u>
Beginning fund balance		<u>-</u>	
Ending fund balance	\$ <u><u>-</u></u>		

CITY OF KING COVE, ALASKA
General Capital Projects Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Intergovernmental	\$ 6,882	2,230,600
Other	<u>120,863</u>	<u>35,000</u>
Total revenues	<u>127,745</u>	<u>2,265,600</u>
Expenditures:		
Street construction	-	2,428,720
Planning and engineering	29,900	-
Harbor projects	-	14,315
Landfill upgrade	-	1,568
City street project	1,565	358,360
Access project	58,006	7,667
Other	5,773	3,727
Delta Creek water system	80,426	-
Waterfall Creek hydro	28,876	-
Water rate study	6,334	-
Sewer rate study	16,050	-
Surveying and platting	<u>628</u>	<u>-</u>
Total expenditures	<u>227,558</u>	<u>2,814,357</u>
Excess of revenues over (under) expenditures	(99,813)	(548,757)
Other financing sources (uses):		
Transfers from General Fund	175,000	400,000
Transfer to Public Safety Building -		
Energy Upgrades Special Revenue Fund	(9,848)	-
Transfer to Water Pipe Capital Project Fund	<u>(19,675)</u>	<u>-</u>
Net other financing sources (uses)	<u>145,477</u>	<u>400,000</u>
Net change in fund balance	45,664	(148,757)
Beginning fund balance	<u>253,377</u>	<u>402,134</u>
Ending fund balance	\$ <u>299,041</u>	<u>253,377</u>

CITY OF KING COVE, ALASKA
Water Pipe Capital Project Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance (Deficit)
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Revenues	\$ -	-
Expenditures	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	-	-
Other financing sources - transfer from General Capital Projects Fund	<u>19,675</u>	<u>-</u>
Net change in fund balance	19,675	-
Beginning fund deficit	<u>(19,675)</u>	<u>(19,675)</u>
Ending fund balance (deficit)	\$ <u><u>-</u></u>	<u><u>(19,675)</u></u>

CITY OF KING COVE, ALASKA
Vehicle and Machinery Replacement Capital Project Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Revenues	\$ -	-
Expenditures - equipment	<u>80,338</u>	<u>20,173</u>
Excess of revenues over (under) expenditures	(80,338)	(20,173)
Other financing sources - transfers from:		
Housing and Community Projects		
Special Revenue Fund	-	25,000
General Fund	<u>100,000</u>	<u>75,000</u>
Total other financing sources	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	19,662	79,827
Beginning fund balance	<u>131,290</u>	<u>51,463</u>
Ending fund balance	\$ <u><u>150,952</u></u>	<u><u>131,290</u></u>

CITY OF KING COVE, ALASKA

Electric Enterprise Fund

Statement of Net Assets

June 30, 2012

With Comparative Amounts for 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Receivables:			
Accounts	\$	217,108	91,518
Allowance for doubtful accounts		<u>(14,000)</u>	<u>(14,000)</u>
Total current assets		<u>203,108</u>	<u>77,518</u>
Property, plant and equipment:			
Land		48,372	48,372
Infrastructure		3,955,382	3,955,382
Improvements		723,045	723,045
Buildings		2,203,494	2,203,494
Equipment		<u>4,907,717</u>	<u>4,901,717</u>
Total property, plant and equipment		11,838,010	11,832,010
Less accumulated depreciation		<u>(4,951,920)</u>	<u>(4,621,233)</u>
Net property, plant and equipment		<u>6,886,090</u>	<u>7,210,777</u>
Total assets	\$	<u>7,089,198</u>	<u>7,288,295</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable		17,504	20,299
Accrued payroll and related liabilities		8,624	8,550
Accrued interest payable		5,612	34,924
Deferred revenue		2,655	1,813
Due to other funds		-	576,279
Current portion of revenue bonds		<u>95,398</u>	<u>133,726</u>
Total current liabilities		129,793	775,591
Long-term debt, net of current portion:			
Advance from other funds		562,042	-
Accrued leave		6,539	5,166
Revenue bonds		<u>835,753</u>	<u>930,394</u>
Total liabilities		<u>1,534,127</u>	<u>1,711,151</u>
Net assets:			
Invested in capital assets, net of related debt		5,954,939	6,146,657
Deficit		<u>(399,868)</u>	<u>(569,513)</u>
Total net assets		<u>5,555,071</u>	<u>5,577,144</u>
Total liabilities and net assets	\$	<u>7,089,198</u>	<u>7,288,295</u>

CITY OF KING COVE, ALASKA
Electric Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues - charges for services:		
Electric revenue	\$ 727,601	717,020
City owned electric	366,234	349,227
Harbor electric	180,120	165,282
Finance charges	316	408
Other	60,618	81,335
Total operating revenues	<u>1,334,889</u>	<u>1,313,272</u>
Operating expenses:		
Salaries	152,439	148,420
Employee benefits	77,713	72,630
Travel and training	2,929	3,859
Telephone	9,380	8,752
Supplies	72,174	75,969
Dues and fees	588	156
Insurance	16,045	16,980
Power plant electric	35,165	-
Fuel - power plant	555,104	617,211
Fuel - vehicles	10,825	8,855
Depreciation	330,687	353,979
Total operating expenses	<u>1,263,049</u>	<u>1,306,811</u>
Income from operations	71,840	6,461
Nonoperating revenues (expenses):		
Interest expense	(55,711)	(60,284)
Senior power subsidy	(51,202)	(46,181)
State PERS relief	13,000	10,600
Net nonoperating revenues (expenses)	<u>(93,913)</u>	<u>(95,865)</u>
Change in net assets	(22,073)	(89,404)
Beginning net assets	<u>5,577,144</u>	<u>5,666,548</u>
Ending net assets	\$ <u><u>5,555,071</u></u>	<u><u>5,577,144</u></u>

CITY OF KING COVE, ALASKA
Electric Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,210,141	1,283,005
Payments to suppliers	(705,005)	(719,620)
Payments to employees	<u>(215,705)</u>	<u>(211,000)</u>
Net cash flows from operating activities	<u>289,431</u>	<u>352,385</u>
Cash flows from noncapital financing activities:		
Senior power subsidy	(51,202)	(46,181)
Decrease in due to other funds	(576,279)	(203,496)
Increase in advance from other funds	<u>562,042</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>(65,439)</u>	<u>(249,677)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(6,000)	(30,050)
Principal payments on long-term debt	(132,969)	(42,228)
Interest payments on long-term debt	<u>(85,023)</u>	<u>(30,430)</u>
Net cash flows from capital and related financing activities	<u>(223,992)</u>	<u>(102,708)</u>
Net increase in cash and investments	-	-
Beginning cash and investments	<u>-</u>	<u>-</u>
Ending cash and investments	\$ <u>-</u>	<u>-</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:		
Income from operations	71,840	6,461
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation	330,687	353,979
Noncash expense - PERS relief	13,000	10,600
(Increase) decrease in assets:		
Accounts receivable (net)	(125,590)	(31,132)
Increase (decrease) in liabilities:		
Accounts payable	(2,795)	12,162
Accrued payroll and related liabilities	74	(191)
Deferred revenue	842	865
Accrued leave	<u>1,373</u>	<u>(359)</u>
Net cash flows from operating activities	\$ <u>289,431</u>	<u>352,385</u>

CITY OF KING COVE, ALASKA
City Fuel Enterprise Fund
Statement of Net Assets
June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets:		
Accounts receivable	\$ -	37,000
Fuel inventory	409,193	605,173
Total current assets	<u>409,193</u>	<u>642,173</u>
Property, plant and equipment - fuel tanks	871,489	871,489
Less accumulated depreciation	<u>(174,296)</u>	<u>(130,722)</u>
Net property, plant and equipment	<u>697,193</u>	<u>740,767</u>
Total assets	\$ <u><u>1,106,386</u></u>	<u><u>1,382,940</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	712	258,796
Accrued payroll and related liabilities	2,389	1,216
Due to other funds	<u>-</u>	<u>281,588</u>
Total current liabilities	<u>3,101</u>	<u>541,600</u>
Noncurrent liabilities - advance from other funds	<u>428,164</u>	<u>-</u>
Total liabilities	<u>431,265</u>	<u>541,600</u>
Net assets:		
Invested in capital assets	697,193	740,767
Unrestricted (deficit)	<u>(22,072)</u>	<u>100,573</u>
Total net assets	<u>675,121</u>	<u>841,340</u>
Total liabilities and net assets	\$ <u><u>1,106,386</u></u>	<u><u>1,382,940</u></u>

CITY OF KING COVE, ALASKA
City Fuel Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues - fuel sales	\$ <u>244,892</u>	<u>496,874</u>
Operating expenses:		
Salaries and benefits	38,972	27,798
Supplies	8,240	1,037
Fuel	322,838	300,626
Depreciation	<u>43,574</u>	<u>43,574</u>
Total operating expenses	<u>413,624</u>	<u>373,035</u>
Income (loss) from operations	(168,732)	123,839
Nonoperating revenues - State PERS relief	<u>2,513</u>	<u>-</u>
Change in net assets	(166,219)	123,839
Beginning net assets	<u>841,340</u>	<u>717,501</u>
Ending net assets	\$ <u><u>675,121</u></u>	<u><u>841,340</u></u>

CITY OF KING COVE, ALASKA
City Fuel Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 281,892	459,874
Payments to suppliers	(393,182)	(730,080)
Payments to employees	<u>(35,286)</u>	<u>(27,421)</u>
Net cash flows from operating activities	<u>(146,576)</u>	<u>(297,627)</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other funds	(281,588)	281,588
Increase in advance from other funds	<u>428,164</u>	<u>-</u>
Net cash flows from noncapital financing activities	<u>146,576</u>	<u>281,588</u>
Net increase (decrease) in cash and investments	-	(16,039)
Beginning cash and investments	<u>-</u>	<u>16,039</u>
Ending cash and investments	\$ <u>-</u>	<u>-</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Income (loss) from operations	(168,732)	123,839
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	43,574	43,574
Noncash expense - PERS relief	2,513	-
(Increase) decrease in assets:		
Accounts receivable	37,000	(37,000)
Fuel inventory	195,980	(328,356)
Increase (decrease) in liabilities:		
Accounts payable	(258,084)	(100,061)
Accrued payroll and related liabilities	<u>1,173</u>	<u>377</u>
Net cash flows from operating activities	\$ <u>(146,576)</u>	<u>(297,627)</u>

CITY OF KING COVE, ALASKA

Harbor and Port Enterprise Fund

Statement of Net Assets

June 30, 2012

With Comparative Amounts for 2011

	<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Receivables:			
Accounts	\$	118,981	128,683
Grants		-	329,856
Allowance for doubtful accounts		(20,400)	(35,438)
Total current assets		<u>98,581</u>	<u>423,101</u>
Restricted cash - bond reserves		108,433	108,404
Bond insurance cost		3,637	3,828
Property, plant and equipment:			
Construction in progress - Harbor Bulkhead		13,133	-
Infrastructure		21,720,359	21,720,359
Buildings		355,860	355,860
Equipment		<u>907,482</u>	<u>907,482</u>
Total property, plant and equipment		22,996,834	22,983,701
Less accumulated depreciation		<u>(5,694,877)</u>	<u>(5,211,505)</u>
Net property, plant and equipment		<u>17,301,957</u>	<u>17,772,196</u>
Total assets	\$	<u>17,512,608</u>	<u>18,307,529</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable		3,935	9,723
Accrued payroll and related liabilities		10,465	11,650
Accrued interest payable		15,739	15,487
Due to other funds		-	551,661
Current portion of revenue bonds		<u>50,000</u>	<u>45,000</u>
Total current liabilities		80,139	633,521
Long-term debt, net of current portion:			
Advance from other funds		320,964	-
Accrued leave		4,462	19,150
Revenue bonds		1,150,000	1,200,000
Unamortized bond premium		<u>21,563</u>	<u>22,698</u>
Total liabilities		<u>1,577,128</u>	<u>1,875,369</u>
Net assets:			
Invested in capital assets, net of related debt		16,080,394	16,504,498
Deficit		<u>(144,914)</u>	<u>(72,338)</u>
Total net assets		<u>15,935,480</u>	<u>16,432,160</u>
Total liabilities and net assets	\$	<u>17,512,608</u>	<u>18,307,529</u>

CITY OF KING COVE, ALASKA
Harbor and Port Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Moorage	\$ 178,022	193,316
Pot storage	28,416	33,039
Haulout	60,769	56,416
Wharfage	37,654	36,957
Harbor electric	5,571	5,112
State ferry	12,500	11,000
Space rent	2,549	7,600
Lockers	27,080	24,948
Skiff storage	3,158	3,361
Warehouse loft usage	2,045	999
Forklift	34,993	21,251
Other	20,558	17,900
Harbor fuel inbound	4,985	10,812
Finance charges	4,154	2,585
Total revenues	<u>422,454</u>	<u>425,296</u>
Operating expenses:		
Harbor:		
Salaries	198,013	184,811
Employee benefits	117,164	100,396
Contract labor	2,448	-
Travel and per diem	6,286	5,047
Telephone	3,147	2,875
Supplies	47,572	21,077
Utilities - heat	10,346	6,716
Utilities - electric	38,939	19,983
Dues and fees	1,228	1,275
Insurance	31,482	22,205
Fuel - gas	6,268	5,481
Fuel - diesel	5,913	4,488
Deferred compensation	1,800	4,320
Depreciation	483,372	438,850
Total harbor	<u>953,978</u>	<u>817,524</u>

CITY OF KING COVE, ALASKA
 Harbor and Port Enterprise Fund
 Statement of Revenues, Expenses and Changes in
 Net Assets, continued

Expenses, continued:	<u>2012</u>	<u>2011</u>
Port:		
Salaries	\$ 19,890	16,697
Employee benefits	11,091	7,803
Insurance	4,937	5,225
Miscellaneous	<u>200</u>	<u>480</u>
Total port	<u>36,118</u>	<u>30,205</u>
 Total operating expenses	 <u>990,096</u>	 <u>847,729</u>
 Loss from operations	 (567,642)	 (422,433)
Nonoperating revenues (expenses):		
Interest expense	(56,062)	(49,383)
Sales tax	4,231	10,532
Interest rate subsidy	29,050	-
State PERS relief	<u>21,743</u>	<u>14,801</u>
Net nonoperating revenues (expenses)	<u>(1,038)</u>	<u>(24,050)</u>
 Loss before contributions and transfers	 (568,680)	 (446,483)
Capital contributions	-	2,586,919
Transfers in (out):		
General Fund	82,000	23,000
Harbor and Port Special Revenue Fund	-	201,391
North Old Harbor Capital Projects Fund	-	(401,386)
Solid Waste Special Revenue Fund	<u>(10,000)</u>	<u>(10,000)</u>
 Change in net assets	 (496,680)	 1,953,441
Beginning net assets	<u>16,432,160</u>	<u>14,478,719</u>
Ending net assets	\$ <u><u>15,935,480</u></u>	<u><u>16,432,160</u></u>

CITY OF KING COVE, ALASKA
Harbor and Port Enterprise Fund
Statement of Cash Flows
Year Ended June 30, 2012
With Comparative Amounts for 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Receipts from customers	\$ 421,349	342,583
Payments to suppliers	(166,354)	(89,449)
Payments to employees	(340,288)	(276,998)
Net cash flows from operating activities	<u>(85,293)</u>	<u>(23,864)</u>
Cash flows from noncapital financing activities:		
Increase (decrease) in due to other funds	(551,661)	551,661
Increase in advance from other funds	320,964	-
Interest rate subsidy	29,050	-
Transfers out	(10,000)	(411,386)
Net cash flows from noncapital financing activities	<u>(211,647)</u>	<u>140,275</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(13,133)	(3,219,435)
Principal payments on long-term debt	(45,000)	763,870
Interest payments on long-term debt	(56,754)	(33,896)
Capital contributions received	329,856	2,257,063
Transfers in	82,000	224,391
Net cash flows from capital and related financing activities	<u>296,969</u>	<u>(8,007)</u>
Net increase in cash and investments	29	108,404
Beginning cash and investments	<u>108,404</u>	<u>-</u>
Ending cash and investments	\$ <u>108,433</u>	<u>108,404</u>
Reconciliation of loss from operations to net cash provided (used) by operating activities:		
Loss from operations	(567,642)	(422,433)
Adjustments to reconcile loss from operations to net cash provided (used) by operating activities:		
Depreciation	483,372	438,850
Noncash expense - PERS relief	21,743	14,801
Sales tax revenue	4,231	10,532
(Increase) decrease in assets - accounts receivable (net)	(5,336)	(93,245)
Increase (decrease) in liabilities:		
Accounts payable	(5,788)	9,723
Accrued payroll and related liabilities	(1,185)	11,650
Accrued leave	(14,688)	6,258
Net cash flows from operating activities	\$ <u>(85,293)</u>	<u>(23,864)</u>